



8011-01p  
SECURITIES AND EXCHANGE COMMISSION

Submission for OMB Review; Comment Request

Upon Written Request, Copies Available From:  
Securities and Exchange Commission  
Office of FOIA Services  
100 F Street, NE  
Washington, DC 20549-2736

Extension: Rule 15c3-4

SEC File No. 270-441, OMB Control No. 3235-0497

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.) (“PRA”), the Securities and Exchange Commission ( “Commission”) has submitted to the Office of Management and Budget (“OMB”) a request for approval of extension of the previously approved collection of information provided for in Rule 15c3-4 (17 CFR. 240.15c3-4) (the “Rule”) under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

Rule 15c3-4 requires certain broker-dealers that are registered with the Commission as OTC derivatives dealers, or who compute their net capital charges under Appendix E to Rule 15c3-1 (17 CFR 240.15c3-1) (“ANC firms”), to establish, document, and maintain a system of internal risk management controls. The Rule sets forth the basic elements for an OTC derivatives dealer or an ANC firm to consider and include when establishing, documenting, and reviewing its internal risk management control system, which are designed to, among other things, ensure the integrity of an OTC derivatives dealer’s or an ANC firm’s risk measurement, monitoring, and management process, to clarify accountability at the appropriate organizational level, and to define the permitted scope of the dealer’s activities and level of risk. The Rule also requires that management of an OTC derivatives dealer or an ANC firm must periodically review, in accordance with written procedures, the firm’s business activities for consistency with its risk management guidelines.

The staff estimates that the average amount of time a new OTC derivatives dealer will spend establishing and documenting its risk management control system is 2,000 hours and that, on average, a

registered OTC derivatives dealer will spend approximately 200 hours each year to maintain (e.g., reviewing and updating) its risk management control system.<sup>1</sup> Currently, three firms are registered with the Commission as OTC derivatives dealers. The staff estimates that approximately six additional entities may become registered as OTC derivatives dealers within the next three years. Thus, the estimated annualized burden would be 600 hours for the three OTC derivatives dealers currently registered with the Commission to maintain their risk management control systems,<sup>2</sup> 4,000 hours for the six new OTC derivatives dealers to establish and document their risk management control systems,<sup>3</sup> and 1,200 hours for the six new OTC derivatives dealers to maintain their risk management control systems.<sup>4</sup> Accordingly, the staff estimates the total annualized burden associated with Rule 15c3-4 for the six OTC derivatives dealers will be approximately 5,800 hours annually.

The staff believes that the internal cost of complying with Rule 15c3-4 will be approximately \$314 per hour.<sup>5</sup> This per hour cost is based upon an annual average hourly salary for a compliance manager who would be responsible for ensuring compliance with the requirements of Rule 15c3-4. Accordingly, the total annualized internal cost of compliance for all affected OTC derivatives dealers is estimated to be \$1,821,200.<sup>6</sup>

---

<sup>1</sup> This notice does not cover the hour burden associated with ANC firms, because the hour burden for ANC firms is included in the Paperwork Reduction Act collection for Rule 15c3-1, which requires ANC firms to comply with specific provisions of Rule 15c3-4 in Appendix E to Rule 15c3-1. See 17 CFR 240.15c3-1(a)(7)(iii), 17 CFR 240.15c3-1e(a)(1)(ii), and 17 CFR 240.15c3-1e(a)(1)(viii)(C).

<sup>2</sup> (200 hours x 3 firms) = 600.

<sup>3</sup> ((2,000 hours/3 years) x 6 firms) = 4,000.

<sup>4</sup> (200 hours x 6 firms) = 600.

<sup>5</sup> The \$314 per hour salary figure for a compliance manager is from SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

<sup>6</sup> 5,800 hours x \$314 per hour = \$1,821,200.

The records required to be made by OTC derivatives dealers pursuant to the Rule and the results of the periodic reviews conducted under paragraph (d) of Rule 15c3-4 must be preserved under Rule 17a-4 of the Exchange Act (17 CFR 240.17a-4) for a period of not less than three years, the first two years in an easily accessible place. The Commission will not generally publish or make available to any person notice or reports received pursuant to the Rule. The statutory basis for the Commission's refusal to disclose such information to the public is the exemption contained in section (b)(4) of the Freedom of Information Act (5 U.S.C. 552), which essentially provides that the requirement of public dissemination does not apply to commercial or financial information which is privileged or confidential.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

The public may view background documentation for this information collection at the following website: [www.reginfo.gov](http://www.reginfo.gov). Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC, 20503, or by sending an e-mail to: (i) [Lindsay.M.Abate@omb.eop.gov](mailto:Lindsay.M.Abate@omb.eop.gov); and (ii) Charles Riddle, Acting Director/Chief Information Officer, Securities and Exchange Commission, c/o Candace Kenner, 100 F Street, NE Washington, DC 20549, or by sending an e-mail to: [PRA\\_Mailbox@SEC.gov](mailto:PRA_Mailbox@SEC.gov). Comments must be submitted to OMB within 30 days of this notice.

Dated: December 12, 2018

Eduardo A. Aleman  
Deputy Secretary

[FR Doc. 2018-27270 Filed: 12/17/2018 8:45 am; Publication Date: 12/18/2018]